

City Council
Final Budget Adoption

August 8, 2023

ANNUAL BUDGET

CITY OF SEDONA, AZ

FISCAL YEAR 2023/24



FY 2023-24 Budget Calendar

	Participants	Date
Operating Budget & Capital Improvement Program (CIP) Budget Kickoff Meetings	Staff	January 9 and 11, 2023
City Council Retreat	Council, Staff	January 17-19, 2023
Community Budget Survey Open	CMO, Finance	January 26 – February 16, 2023
Preliminary CIP Requests Due	Staff	February 9, 2023
Review of CIP Project Submittals	Staff CIP Team	February 16, 2023
Operating Budgets, Decision Packages, Final CIP Requests Due	Staff	March 2, 2023
Citizens Budget Work Group (CBWG) Kickoff Meeting	CBWG, CMO, Finance	March 9, 2023
Review of Revenue Projections	Chamber, Staff	March 22, 2023
CBWG Review Service Provider Agreements	CBWG, CMO, Finance	March 23, 2023
City Manager Review with Departments	CM, Staff	April 3-13, 2023
CBWG Review of Preliminary FY2024 Budget	CBWG, CMO, Finance	April 6, 2023
CBWG Decision Package Review and Finalize Recommendations	CBWG, CMO, Finance, Staff	April 17, 2023
Proposed Budget Distributed to City Council	Finance	May 24, 2023
City Council Approval of Service Provider Agreements	Council, Staff, CBWG, Providers	June 13, 2023
City Council Budget Work Sessions	Council, Staff, CBWG	June 14-15, 2023
City Council Adoption of Annual Update to Pension Funding Policy & Fund Balance Policy Revision	Council, Staff	June 27, 2023
City Council Adoption of Tentative Budget	Council, Staff	July 11, 2023
Board Adoption of Tentative CFD Budget	Board, Staff	July 11, 2023
City Council Adoption of Final Budget	Council, Staff	August 8, 2023
Board Adoption of Final CFD Budget	Board, Staff	August 8, 2023

Revenue Forecasts

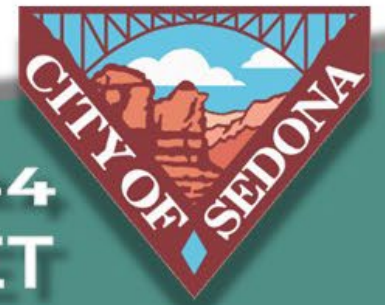
Special Thanks for Input Provided

Michelle
Conway

Cari Meyer



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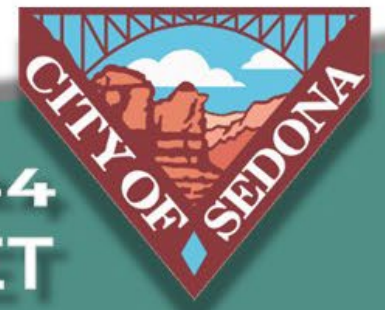


Community Survey

Special Thanks for Input Provided



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Citizens Budget Work Group

Special Thanks for Input Provided

Philippe
Buillet

James Cashin

Christian
Eaton

PJ Harrison

Guy
Lamunyon

Dave Price

Pilisa Rainbow
Lady

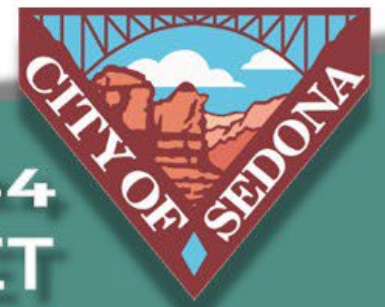
Tracy Randall

Rob Smith

Dick Williams



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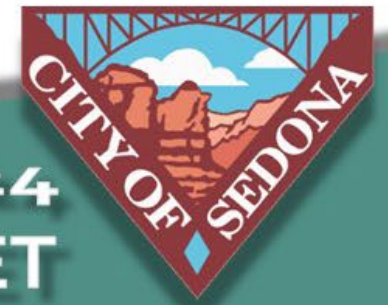
FY 2024 Budget is Balanced⁽¹⁾

All Funds	FY 2024 Budget (in millions)
Estimated July 1, 2023 Fund Balances	\$ 98.1
Estimated Revenues	66.6
Less Estimated Policy Reserves as of June 30, 2024:	
Operating Reserves ⁽²⁾	(10.6)
Capital Reserves	(22.1)
Equipment Replacement Reserves	(4.3)
Major Maintenance Reserve	(0.4)
Streets Rehab/Preservation Reserve	(0.3)
Future Transit System Implementation	(5.0)
Reserve for Loans	(20.3)
Total Resources Available	\$101.6
Budgeted Expenditures	(85.8)
Excess Resources Available	\$15.8

⁽¹⁾ Based on Arizona definition of adequate available resources to cover budgeted expenditures.

⁽²⁾ Reserves fully funded in accordance with policy.

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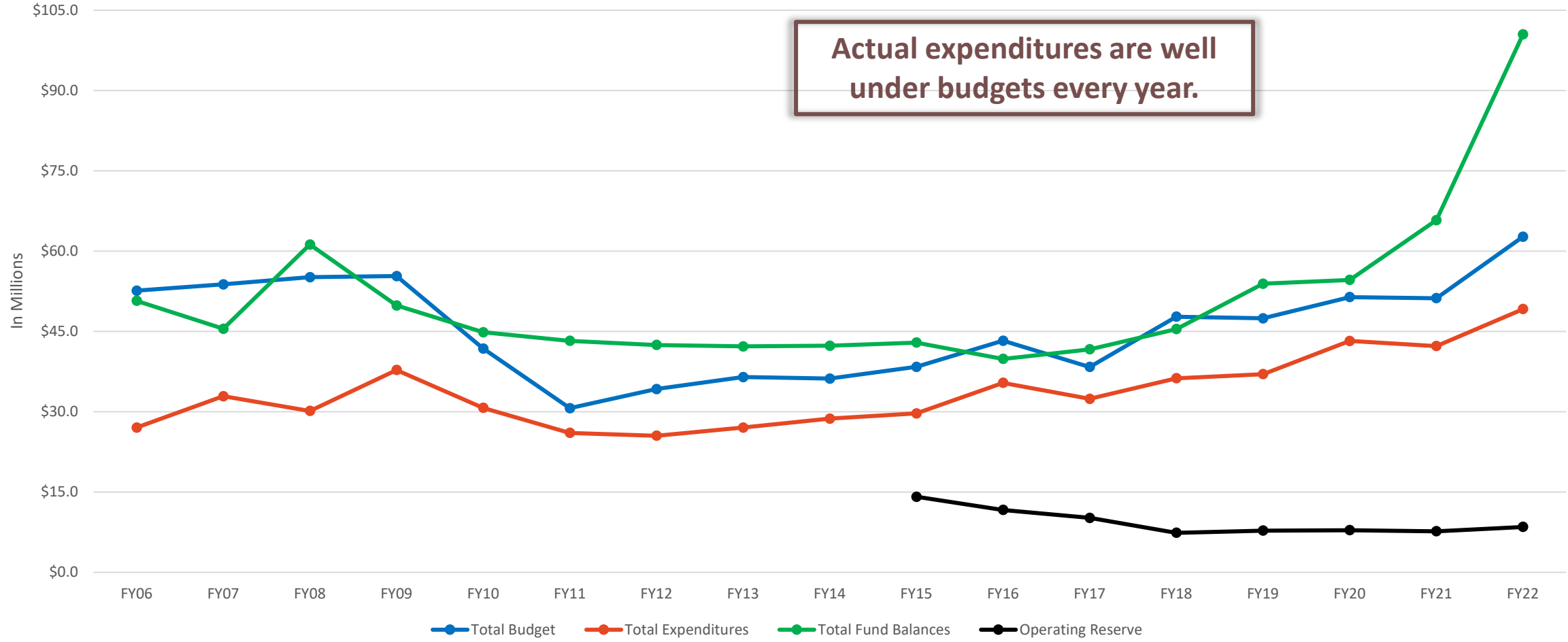
Comparison to Prior Years

(In Millions)

All Funds	FY 2019 Budget	FY 2020 Budget	FY 2021 Budget ⁽¹⁾	FY 2022 Budget	FY 2023 Budget	FY 2024 Final
Estimated July 1 Fund Balances	\$41.6	\$50.3	\$50.0	\$65.2	\$103.7	\$98.1
Estimated Revenues	43.9	45.1	40.5	55.9	70.6	66.6
Estimated Other Financing Sources	-	-	-	9.0	10.0	-
Less Estimated Policy Reserves as of June 30:						
Operating Reserves	(7.7)	(8.1)	(7.6)	(8.2)	(9.3)	(10.6)
Debt Service Reserves	(4.4)	-	-	-	-	-
Capital Reserves	(12.2)	(13.1)	(11.6)	(10.6)	(19.4)	(22.1)
Equipment Replacement Reserves	(1.2)	(2.3)	(2.2)	(3.4)	(3.6)	(4.3)
Major Maintenance Reserve	(0.1)	(0.2)	(0.1)	(0.1)	(0.5)	(0.4)
Streets Rehab/Preservation Reserve	(0.1)	(0.1)	(0.1)	(0.3)	(0.3)	(0.3)
Future Transit System Implementation	-	-	-	-	-	(5.0)
Reserve for Loans	-	-	-	-	(7.3)	(20.3)
Total Resources Available	\$60.0	\$71.7	\$68.9	\$107.5	\$143.9	\$101.6
Budgeted Expenditures	(47.5)	(51.4)	(51.2)	(58.0)	(105.7)	(85.8)
Budgeted Other Financing Uses	-	-	-	(9.0)	-	-
Excess Resources Available	\$12.5	\$20.2	\$17.7	\$40.6	\$38.2	\$15.8
Total Estimated June 30 Fund Balances	\$38.0	\$44.0	\$39.3	\$63.2	\$78.5	\$78.9

⁽¹⁾ Included assumptions for revenue losses and expenditure cuts in response to anticipated impacts of COVID-19.

Historical Budget vs. Actual Expenditures, Fund Balances, Operating Reserves – All Funds



Actual expenditures are well under budgets every year.

Difference between budget to actual (in millions)

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 ⁽¹⁾	2019	2020	2021	2022
\$25.6	\$20.9	\$25.0	\$17.5	\$11.1	\$4.6	\$8.7	\$9.4	\$7.5	\$8.7	\$7.9	\$6.0	\$11.5	\$10.4	\$8.2	\$9.0	\$13.5
49%	39%	45%	32%	27%	15%	25%	26%	21%	23%	18%	16%	24%	22%	16%	17%	22%

⁽¹⁾ Budgeting for SIM projects began in FY2018; however, many projects did not start incurring significant construction costs until FY2020.

Revenues by Fund

(in Thousands)

Fund	Ongoing Revenues			One-Time & Contingent Revenues			Total Revenues		
	FY2024 Final	FY2023 Budget	% Change	FY2024 Final	FY2023 Budget	% Change	FY2024 Final	FY2023 Budget	% Change
General	\$42,905	\$49,001	-12%	\$ 50	\$ 256	-81%	\$42,954	\$49,257	-13%
Streets	1,024	1,315	-22%	-	-	0%	1,024	1,315	-22%
Housing	122	87	41%	-	-	0%	122	87	41%
Grants, Donations & Restricted	197	116	70%	2,979	2,309	29%	3,176	2,425	31%
Transportation Sales Tax	4,501	5,293	-15%	-	-	0%	4,501	5,293	-15%
Capital Improvement	821	431	91%	425	-	∞	1,246	431	189%
Development Impact Fees	457	466	-2%	608	148	311%	1,065	614	73%
Art in Public Places	4	2	115%	-	-	0%	4	2	115%
Public Transit	438	255	72%	1,065	489	118%	1,503	743	102%
Wastewater	7,448	7,861	-5%	1,000	306	227%	8,449	8,167	3%
Information Technology	2,441	2,149	14%	141	110	28%	2,582	2,258	14%
Totals	\$60,357	\$66,975	-10%	\$6,267	\$3,617	73%	\$66,624	\$70,592	-6%
% of Grand Total	91%	95%		9%	5%				

Revenues & Other Financing Sources by Type

(in Thousands)

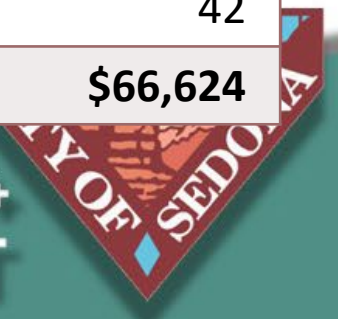
	FY 2024 Final	FY 2023 Budget	Increase/ (Decrease)	%
Ongoing Revenues				
City Sales Taxes	\$30,384	\$36,570	\$(6,186)	-17%
Bed Taxes	8,025	10,232	(2,207)	-22%
State Shared Revenues	5,830	5,301	529	10%
Other Intergovernmental	793	584	208	36%
Wastewater Charges for Services	6,270	6,248	22	<1%
Other Miscellaneous	9,055	8,040	1,015	13%
Subtotal Ongoing Revenues	60,357	66,975	(6,619)	-10%
One-Time Revenues				
Other Intergovernmental	3,969	2,398	1,571	66%
Other Miscellaneous	1,658	610	1,048	172%
Contingent Revenues	500	500	-	0%
Subtotal One-Time Revenues	5,986	3,397	2,588	76%
Subtotal All Revenues	66,624	70,592	(3,968)	-6%
Other Financing Sources				
Bonds Issued	-	10,000	(10,000)	-100%
Grand Totals	\$66,624	\$80,592	\$(13,968)	-17%

Revenues Changes

(in Thousands)

FY 2023 Budget	\$70,592
City sales tax decrease	(6,186)
Bed tax decrease	(2,207)
State shared income tax (urban revenue sharing) increase	856
HURF decrease	(299)
One-time grants increase (CDBG, transit, ARPA, Congressionally directed)	1,571
Add micro-transit operations grant	154
Add STR permit fees	236
Development impact fees increase	415
Information Technology internal charges increase	313
Investment earnings increase	1,137
Miscellaneous decreases	42
FY 2024 Budget	\$66,624

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Expenditures by Fund

(in Thousands)

Fund	Ongoing Expenditures			One-Time & Contingent Expenditures			Total Expenditures		
	FY2024 Final	FY2023 Budget	% Change	FY2024 Final	FY2023 Budget	% Change	FY2024 Final	FY2023 Budget	% Change
General	\$23,107	\$22,108	5%	\$ 6,174	\$ 6,219	-1%	\$29,280	\$ 28,328	3%
Streets	2,379	2,164	10%	140	159	-12%	2,519	2,323	8%
Housing	503	352	43%	454	1,740	-74%	957	2,092	-54%
Grants, Donations & Restricted	154	85	81%	2,942	2,299	28%	3,096	2,384	30%
Transportation Sales Tax	159	148	7%	341	377	-10%	499	526	-5%
Capital Improvement	-	-	0%	17,586	40,398	-56%	17,586	40,398	-56%
Development Impact Fees	-	-	0%	9,075	5,438	67%	9,075	5,438	67%
Art in Public Places	-	-	0%	232	361	-36%	232	361	-36%
Public Transit	2,457	2,376	3%	2,216	1,772	25%	4,673	4,148	13%
Wastewater	5,243	5,117	2%	10,305	12,519	-18%	15,548	17,636	-12%
Information Technology	2,047	1,994	3%	306	120	155%	2,352	2,114	11%
Totals	\$36,048	\$34,343	5%	\$49,771	\$71,402	-30%	\$85,820	\$105,745	69%
% of Grand Total	42%	32%		58%	68%				

Expenditures by Type

(in Thousands)

	FY2023 Budget	FY2024 Base	Increase/ (Decrease)	% Change	Decision Packages & Other Adj	Total FY2024 Final	Total % Change
Ongoing:							
Personnel	\$ 17,702	\$18,493	\$ 791	4%	\$465	\$ 18,958	7%
Operations	16,641	16,358	(283)	-2%	732	17,090	3%
Subtotal Operational Costs - Ongoing	34,343	34,851	507	1%	1,197	36,048	5%
One-Time:							
Personnel	1,198	65	(1,113)	-95%	1,277	1,342	12%
Operations	3,337	3,000	(338)	-10%	1,007	4,007	20%
Subtotal Operational Costs – One-Time	4,536	3,065	(1,471)	-32%	2,284	5,349	18%
Subtotal All Operational Costs	38,879	37,916	(965)	-2%	3,481	41,397	6%
Debt Service	7,813	7,425	(388)	-5%	-	7,425	-5%
Contingencies	2,512	4,446	1,934	77%	(1,033)	3,413	36%
Subtotal Operating Budget	49,204	49,787	583	1%	2,449	52,236	6%
Capital Improvement Projects ⁽¹⁾	56,542	34,164	(22,377)	-40%	(580)	33,584	-41%
Totals	\$105,745	\$83,951	\$(21,794)	-21%	\$1,869	\$85,820	-19%

⁽¹⁾ Does not include projects funded by the Community Facilities Districts. Those projects will be included in the budget proposals for those separate entities.



Salary & Benefit Changes

(in Thousands)

FY 2023 Budget	\$18,900
Decision Packages (includes 1.0 FTE, transfer of 1.0 FTE temp to full-time, and 0.78 temp position)	160
Other new positions (added 3.0 FTEs)	344
Decrease in overlapping position costs for retirement transition (decrease of 0.33 FTEs)	(24)
Increase for reclassification of positions (reclass of 3.0 FTEs)	11
Wage adjustments	462
Health insurance 7% rate increase	140
ASRS 1% rate increase	64
Increase in one-time additional PSPRS contribution	200
Increase for Prop 207 contribution toward PSPRS unfunded liability	28
Increase to other benefits	15
FY 2024 Budget	\$20,300



Decision Packages Included – Salary & Benefits

Department	Description	Increased FTEs	One-Time Costs	Ongoing Costs	Totals
Community Development	Temporary Planner to Full-Time	0.00	\$ -	\$ 11,200	\$ 11,200
Police	Motor Officer Position	1.00	-	97,410	97,410
Court	Temporary Court Clerk	0.78	49,040	-	49,040
Total General Fund		1.78	\$49,040	\$108,610	\$157,650
Police	DUI Enforcement	OT only	\$ 1,200	\$ -	\$ 1,200
Police	Speed & Traffic Enforcement	OT only	1,200	-	1,200
Total Grants, Donations & Restricted Funds		0.00	\$ 2,400	\$ -	\$ 2,400
Total All Funds		1.78	\$51,440	\$108,610	\$160,050

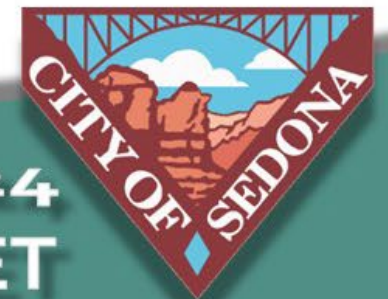
Operations Changes

(in Thousands)

FY 2023 Budget	\$19,978
Decision Packages	1,031
Increase for service provider agreements	466
SCC&TB contract reallocated to tourism contingency	(1,670)
Visitor Center support allocated from tourism contingency	454
Increase for streets maintenance	269
Add Community Development Block Grant	406
Increase to indirect cost allocations for Information Technology	313
Miscellaneous decreases	(150)
FY 2024 Budget	\$21,097



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Decision Packages Included – Operations

Department	Description	One-Time Costs	Ongoing Costs	Totals
Human Resources	Tuition Reimbursement Program	\$ -	\$ 10,000	\$ 10,000
Financial Services	Investment Advisory & Consulting Services	40,000	50,000	90,000
Community Development	Cultural Park Area Master Plan	125,000	-	125,000
Tourism & Economic Initiatives	Tourism Data Collection Project	200,000	-	200,000
Police	Motor Officer Position	5,000	24,050	29,050
Total General Fund		\$370,000	\$84,050	\$ 454,050
Housing	Cold/Wet Weather Emergency Fund	\$ -	\$15,000	\$ 15,000
Housing	Strategic Plan to Address Homelessness	54,000	-	54,000
Housing	Safe Place to Park	400,000	-	400,000
Total Affordable Housing Fund		\$454,000	\$15,000	\$ 469,000
Public Transit	Hanover Multimedia TFT Screens	\$ 64,500	\$ -	\$ 64,500
Total Public Transit Fund		\$ 64,500	\$ -	\$ 64,500
Information Technology	IT Communications, Cellular Boost	\$ 36,230	\$ -	\$ 36,230
Total Wastewater Fund		\$ 36,230	\$ -	\$ 36,230
Police	Motor Officer Position	\$ 7,000	\$ -	\$ 7,000
Total Information Technology Fund		\$ 7,000	\$ -	\$ 7,000
Total All Funds		\$931,730	\$99,050	\$1,030,780

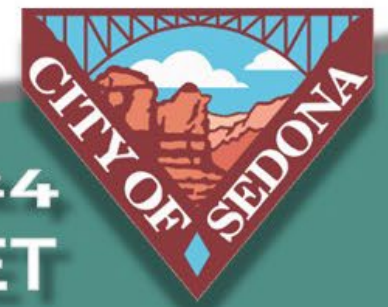


CIP Changes

(in Thousands)

FY 2023 Budget	\$56,542
Housing decrease	(1,500)
Arts & Culture decrease	(129)
Information Technology increase	600
Municipal Court decrease	(261)
Parks & Recreation increase	2,422
Police decrease	(910)
Public Transit increase	350
Public Works decrease	(20,160)
Sedona in Motion decrease	(1,063)
Storm Drainage decrease	(120)
Streets & Transportation decrease	(61)
Sustainability increase	210
Wastewater decrease	(2,335)
FY 2024 Budget	\$33,584

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Debt Service Changes

(in Thousands)

FY 2023 Budget	\$7,813
Change in Second Series 2015 bond payment	(8)
Change in Series 2022 bond payment	(290)
Change in Second Series 2022 bond payment	(90)
FY 2024 Budget	\$7,425



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Contingency Changes

(in Thousands)

FY 2023 Budget	\$2,512
Add tourism initiatives contingency ⁽¹⁾	637
Adjust ARPA contingency based on available balance	435
Reinstate unknown grants contingency ⁽²⁾	79
Eliminate SCC&TB contingency	(250)
FY 2024 Budget	\$3,413

⁽¹⁾ \$1.7M SCC&TB contract amount transferred to contingency and adjusted by Decision Packages, Visitor Center support, and 3.0 FTEs for Tourism & Economic Initiatives Dept to be allocated from this contingency amount.

⁽²⁾ \$79k used for grant-funded message boards and drones.

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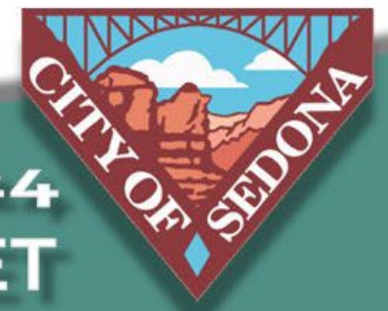
FY 2024 Contingencies Totals

(in Thousands)

	General Fund	Grants, Donations, & Restricted Funds	Wastewater Enterprise Fund
General operating contingency	\$200	\$ -	\$100
ARPA funding	-	1,875	-
Unknown grants and donations	-	500	-
Judgments	100	-	-
Tourism initiatives ⁽¹⁾	637		
Total Budgeted	\$937	\$2,375	\$100

⁽¹⁾ Adjusted by for Decision Packages, Visitor Center support, and 3.0 FTEs for Tourism & Economic Initiatives Dept to be funded by the base budget contingency of \$1,670,220.

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FY 2024 Inter-Fund Transfers

Transfers In									
	Streets Fund	Housing Fund	Capital Improve- ments Fund	Dev. Impact Fees Funds	Art in Public Places Fund	Public Transit Enterprise Fund	Wastewater Enterprise Fund	Info. Tech. Internal Service Fund	Totals
<u>Transfers Out</u>									
General Fund	\$2,298,349 ⁽¹⁾	\$14,835,500 ⁽²⁾	\$2,500,000	\$ -	\$ -	\$ 294,020	\$3,100,000	\$44,450	\$23,072,319
Grants, Donations & Restricted Funds							184,400		184,400
Transportation Sales Tax Fund	-	-	4,267,760			3,113,580	-	-	7,381,340
Capital Improvements Fund	-	-	-	4,507,280	19,130	-	-	-	4,526,410
Totals	\$2,298,349	\$14,835,500	\$6,767,760	\$4,507,280	\$19,130	\$3,407,600	\$3,284,400	\$44,450	\$35,164,469

⁽¹⁾ Includes one-time \$742,149 to establish a Streets Fund operating reserve.

⁽²⁾ Covers total of \$18,900,000 set aside for loan programs (down payment assistance loans, Sunset Lofts, 2250 Shelby Dr project, and other potential housing projects).

Capital Improvements by Category

(including 1% Arts Transfers and CFD Funding)

(In Thousands)

Category	Carryover	New Appropriation	FY2024 Final
Sedona in Motion ⁽¹⁾⁽²⁾	\$13,709	\$ 6,490	\$20,199
Wastewater	4,660	497	5,157
Parks & Recreation	3,661	166	3,827
Public Transit ⁽¹⁾	1,411	370	1,781
Storm Drainage	785	150	936
Streets & Transportation	360	290	650
Information Technology	500	100	600
Sustainability	-	332	332
Arts & Culture	231	1	232
Police	66	150	216
Municipal Court	-	79	79
Total	\$25,383	\$8,625	\$34,008

⁽¹⁾ Spent on SIM/PT projects to date = \$25.4M (FY18-FY22 actual plus FY23 estimate)

⁽²⁾ The carryover offset is included in the SIM category.

Capital Improvements by Funding Source

Funding Source	FY2024 Final
Unrestricted:	
Capital Reserves	\$ 3,387
Restricted:	
Debt Financing ⁽¹⁾	15,522
Wastewater Revenues/Equipment Replacement Reserve	5,086
Transportation Sales Tax	4,984
Development Impact Fees Funds	4,242
Grants and Donations	1,796
Community Facilities Districts	405
Yavapai County Flood Control	350
1% for Arts	167
Court Restricted Revenues	68
Unidentified ⁽²⁾	(2,000)
Total	\$34,008

(1) Assumed the \$25M bond proceeds will be fully spent by 6/30/24.

(2) The carryover offset was labeled as unidentified since it will depend on the projects delayed and the funding sources for those projects.

Council Priorities Included

Priority Item	Budget Location	FY2024 Budget Amount ⁽¹⁾
Traffic/transportation improvements	CIP	\$20,399,420
Public transit system	CIP	\$1,781,370
	<u>Operations</u>	<u>\$2,892,110</u>
	Total	\$4,673,480
Affordable/workforce housing & homelessness	Housing Fund	\$957,350 in operations \$18,900,000 in balance sheet loans
Sustainability/climate action	CIP	\$15,891,015
	Sustainability	\$ 1,008,590
	PW	\$ 121,670
	<u>General Services</u>	<u>\$ 362,000</u>
	Total	\$17,383,275
Trailhead congestion/impact to neighborhoods	Transit PW/PD	See above Staff time only
Improve citizen communications/relations	CMO	\$536,910
Manage impact from short-term rentals	City Clerk	\$256,970

⁽¹⁾ Only includes costs for program staff time. Other city staff time not included.

Council Priorities Included

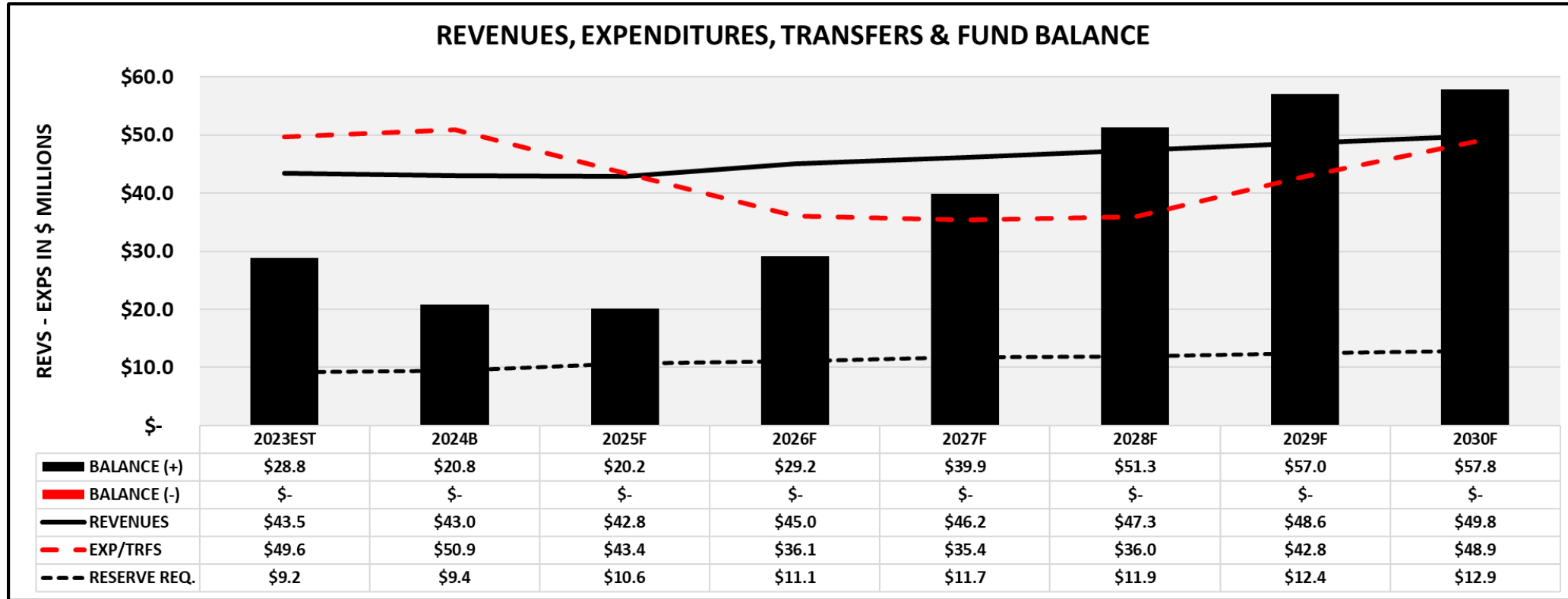
Priority Item	Budget Location	FY2024 Budget Amount ⁽¹⁾
Economic diversification	Tourism & Economic Initiatives	\$61,900 ⁽²⁾
Emergency preparedness	CMO/PD	Staff time only
Community Plan update	Community Development	\$227,770
Other property acquisitions	CIP	None in FY2024
Accelerate Brewer Road Park build-out	CIP	\$2,260,000 ⁽³⁾
Airport evaluation	General Services	\$80,000
Environmental impact study on OHVs/USFS trail access based on capacity analysis	CMO/Sustainability	Staff time only
Pickleball courts	CIP	\$1,500,000
Enterprise Resource Planning (ERP) system	CIP	\$600,000
Revisit Land Development Code	Community Development	Staff time only

⁽¹⁾ Only includes costs for program staff time. Other city staff time not included.

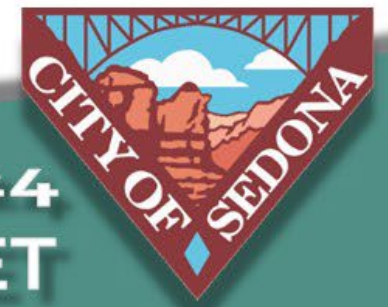
⁽²⁾ Only includes non-personnel direct costs.

⁽³⁾ Includes \$315,000 paid by Community Facilities Districts and not included in the City's budget.

Baseline Long-Range Forecast – General Fund



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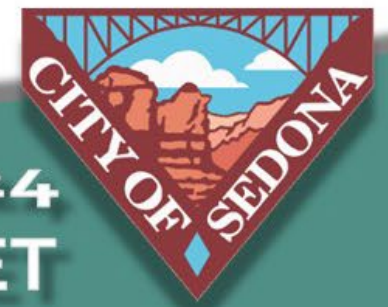


Estimated Remaining General Fund Surplus Balances⁽¹⁾

	General Fund
Estimated Remaining Surpluses:	
FY 2023	\$6,905,779
FY 2024	1,831,790
Total	\$8,737,569

⁽¹⁾ After allocation of the FY2022 surplus and a portion of the FY2023 surplus for \$1.2 million for an additional one-time contribution toward the PSPRS unfunded liability and \$12.0 million for potential Housing Fund loans.

FY 23-24
ANNUAL BUDGET





Questions or Comments?

FY 22-23
ANNUAL BUDGET

